



THRIFT SAVINGS PLAN FACT SHEET

Information About Shares and the New Record Keeping System

1. How has the use of shares changed the TSP record keeping system?

In the new system, the balances for each fund in your account are reflected as shares. A share is a unit of ownership in a company or fund. As a TSP participant, you now own shares in the funds in which you are invested.

The use of shares makes daily valuation possible. The change in the share price for each of the five TSP investment funds is determined by dividing that day's change in the value of the fund (after expenses) by the total number of shares in that fund. The price of a share is updated each business day at approximately 6:00 p.m., central time. Once the new daily share price is calculated, it is used for all account balance computations and transactions, (such as interfund transfers and loan and withdrawal payments) for that day.

For example, let's say you make a contribution to the C Fund of \$150 on a day when the C Fund share price is \$15.00 per share. As a result, your account increases by 10 shares. The number of shares is reported on your statement (and on your account balance on the TSP Web site) using four decimal places (e.g., 10.0000).

2. How is my account balance calculated using shares?

For CSRS participants and members of the uniformed services, the calculation is simple — the TSP record keeping system multiplies the number of shares you have in an investment fund by that fund's daily share price.

For example, let's say you are a CSRS participant and you have a total of 200.5400 shares in the F Fund. On the day you request your account balance from

the Web site, the share price for the F Fund is \$10.08. Your account balance in the F Fund on that day is \$2,021.44.

The process used for calculating a fund balance for a FERS participant is slightly more complex. For FERS participants, balances are calculated separately for each source of contributions within an investment fund — employee contributions, Agency Automatic (1%) Contributions, and Agency Matching Contributions — and the results are added together. This may cause minor rounding differences from the result obtained by simply multiplying the total number of shares in an investment fund by the share price of that fund.

For example, let's say you are a FERS participant and you have 56.3175 shares in the S Fund. The share price is \$10.43 per share. Rather than simply multiplying 56.3175 times \$10.43 and getting a total of \$587.39, your account balance is determined like this:

Employee Contributions	28.1588 shares x \$10.43 =	\$293.70
Agency Automatic (1%) Contributions	5.6318 shares x \$10.43 =	\$ 58.74
Agency Matching Contributions	22.5269 shares x \$10.43 =	<u>\$234.96</u>
TOTAL	56.3175 shares	\$587.40

*This example illustrates that the results can differ very slightly from the actual amount because of rounding (**\$587.39** compared to **\$587.40**).*

The total value of a participant's account is then determined by adding together the balances of the five TSP investment funds.

3. Did the change to share-based accounting affect my investment returns?

No. Under the previous dollar-based system, if you held \$10,000 in an investment fund at the beginning of a month and the net return for the month was 10%, at the end of the month you would have been credited with \$1,000.00 of earnings. Your month-end balance in that fund would be \$11,000.00 (assuming no contributions or loan payments were made during the month).

\$10,000	(Beginning Balance)
x 0.10	(Net Return of 10%)
\$1,000.00	(Earnings)

\$10,000	(Beginning Balance)
+ \$1,000	(Earnings)
\$11,000.00	(Ending Balance)

Similarly, under the new system, if at the beginning of the month you held 1,000 shares of that investment fund worth \$10.00 per share (total value of \$10,000.00), and the share price increased by 10% (i.e., to \$11.00 per share), you would still hold 1,000 shares, but those shares would be worth \$11,000.00 at the end of the month.

1,000	(Shares)
x \$11.00	(Share Price)
\$11,000.00	(Ending Balance)

Thus, regardless of whether the previous or new accounting method was used, your TSP account would have the same value at the end of the month.

4. Why was the initial share price of \$10.00 selected?

The \$10.00 share price was selected because it was a round number that could be easily used to convert the dollar balances in each TSP investment fund into shares in the new system. This established a baseline, or starting point, as of May 31, 2003 (the last business day in the old system). From that date forward, the share prices in each fund will change at different rates, depending upon the returns of that investment fund.

5. Did I lose any money in the conversion to the new system?

No. Your account balance in each investment fund was converted by dividing your balance by the \$10.00 conversion share price.

Let's say, for example, that you had \$13,289.76 in the C Fund. On May 31, that was converted to 1,328.9760 shares. At \$10.00 per share, you would still have had \$13,289.76. Not even a penny was lost in the conversion.

6. How will I know my account was converted properly?

The ending balance on your participant statement as of May 31, 2003, should be identical to the beginning balance on your first participant statement in the new system (which will cover the period from June 1 – September 30, 2003). You should receive this statement by mid-October.

7. Is it easier to see the benefits of dollar-cost averaging in the new system?

You have always benefited from dollar-cost averaging by investing in the TSP through regular payroll contributions over time. Now, however, the benefits of dollar-cost averaging are more apparent than they were under the prior system because you can see that your contributions buy more shares when the share price of an investment fund is relatively low, and fewer shares when the share price is relatively high.

For example, as illustrated in the chart below, a participant who made regular contributions of \$200 would have purchased 24 shares for his \$800 investment, at a cost per share of \$33.33. In contrast, the average share price over the same period was \$37.50.

Period	Investment Amount	Share Price	Shares Purchased
1	\$200	\$50	4
2	\$200	\$40	5
3	\$200	\$20	10
4	\$200	\$40	5
Totals	\$800	\$150	24

- Average share price: $\$150/4 = \37.50 over the four periods
- Participant's cost per share: $\$800/24 = \33.33